

# Chapter 12

## Exploring Economic Equality

### Key Skill:

Considering the points of view and perspectives of others when defending a position on an issue

### Key Terms and Concepts:

- command economy
- economic equality
- free-market economy
- mixed economy
- social safety net

### Key Issue:

*To what extent should we embrace an ideology?*

### Related Issue:

*To what extent are the values of liberalism viable?*

### Chapter Issue:

**To what extent should governments encourage economic equality?**

### Question for Inquiry #1:

**What does economic equality mean?**

### Question for Inquiry #2:

**In what ways can governments promote economic equality?**

In Calgary, from 2006 to 2007, the average house price jumped from \$334 870 to \$414 046. Two-bedroom apartment rents averaged \$1089 per month in 2007, or \$13 068 over the year. Yet in September 2007, the minimum wage for Alberta was \$8.00 per hour; for a person working a full-time job, 40 hours a week for 52 weeks of the year, that amounts to an annual income of \$16 640. Would a person working a full-time job at minimum wage be able to afford an average two-bedroom apartment? How much money would remain for basic needs, such as food and clothing? What about other expenses such as entertainment, personal taxes, and savings?

How should a person's income be determined? In contrast, what could a person who made \$9 059 113 annually afford? In 2005, that figure was the average salary of the 100 highest paid CEOs (chief executive officers) in Canada—over 9 million dollars *per year*.

Should people be paid similar wages so that everyone can achieve a decent quality of life? Should income be based on a person's individual talents? Should people who cannot make enough money to pay for food, shelter, and clothing receive support from society? Which do you think societies should value more:

- economic freedom to make your own choices and succeed or fail at your own risk?
- economic equality with others; sharing success or failures as a society?

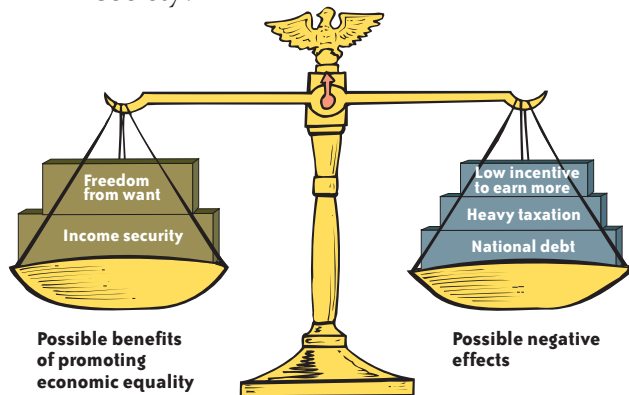


Figure 12-2 Pursuing the goal of economic equality has costs and benefits. What additions or changes would you make to this graphic representation? In your opinion, do the costs and benefits balance? What is best for the common good in society?



Figure 12-1 In the winter of 2006, Edmonton and Calgary both saw increases in the number of people who were homeless. In Edmonton, the increase was 20 per cent over 2 years, leaving the city with 2600 people without shelter. The Edmonton Committee to End Homelessness uses a community-based approach to try to end homelessness in Edmonton. Above, James Foster shares the experiences that led to the loss of his home. He now has a new home through the committee's Housing First program. Is shelter a right, or is it a commodity or privilege that should be available only to those who can afford it? Why?

## Chapter Issue:

*To what extent should governments encourage economic equality?*

In earlier chapters, you explored the values of individualism and considered how those values are the basis of liberalism, including the values of self-interest, competition, and economic freedom. In Chapter 3, you examined the values of collectivism, including collective interest, co-operation, and economic equality. In this chapter, we will continue to explore the concept of economic equality and the Chapter Issue: *To what extent should governments encourage economic equality?* In all countries, governments must decide which economic system will best address the economic needs of their citizens. As you consider whether the value of economic equality should be encouraged by governments, you will also explore your beliefs and values about this issue in connection to the Related Issue: *To what extent are the values of liberalism viable?*

## Defining Economic Equality

### Question for Inquiry

#### 1. What does economic equality mean?

In this section ...

#### Understandings of Economic Equality

#### READING GUIDE

Concepts such as economic equality have different meanings for different people. When you come across a definition or an understanding of a term that is not familiar, you can research understandings of that term by checking the glossary in this resource and by using other valid sources, such as quotations on the Internet by experts on the subjects or references in encyclopedias. Consider the point of view or perspective of the source and your own beliefs and values when building working definitions of terms and concepts. Point of view can have an effect on how you define or see things.

You might compete in a race or a competition of another sort, but what does competition mean to you in economic terms? Perhaps, for example, you want to compete for a top job and receive the highest salary you can. You might feel that you are “worth it”—that your education, training, and unique talents and skills, compared with those of another job applicant, make your higher pay justifiable—and that the job market values your job at a higher rate than others.

Competition is a key value of liberalism; however, as Professor Howard Richards notes, sometimes economic competition

*“inflicts on its losers a punishment which affects the ability to meet one’s basic needs: moneylessness... If nobody wants the product of your labor, or the use of resources you control, then you get no money, and consequently you ordinarily get none of the things money buys.”*

—Source: Howard Richards (professor at Earlham College in Indiana), [Howardri.org](http://howardrichards.org/Let60.html), <http://howardrichards.org/Let60.html>.

As you can see, an economy based on the values of individual self-interest, competition, and a free market may lead to economic inequality between individuals. Should anything be done to address this economic inequality? Should governments encourage economic equality? If so, to what extent? Before exploring these questions, let us first examine different understandings of economic equality.

### Understandings of Economic Equality

Understandings of economic equality vary and can include the following:

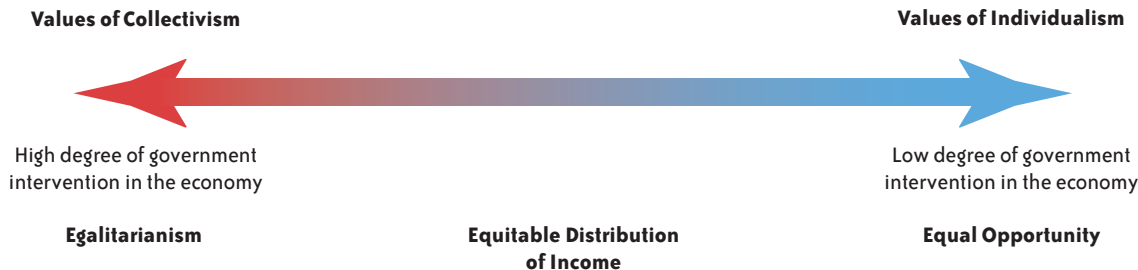
- Egalitarianism
  - People should own the means of production (for example, factories or machines that produce goods) collectively.
  - There should be a guaranteed annual income to meet each person’s basic needs.

- Equality of Opportunity
  - There should be a minimum wage.
  - There should be no discrimination in hiring workers.
- Equitable Distribution of Income
  - All people should earn equal wages for work of similar value.
  - People with larger incomes should pay taxes at a higher rate than people with lower incomes.

Based on what you have learned about the economic values of liberalism, you might be able to embrace some of these understandings of economic equality, but there may be others with which you disagree. The values you hold regarding individualism and collectivism will likely have a strong influence on your interpretation of economic equality.

Similarly, different societies address economic inequality in different ways. Some governments intervene directly to ensure economic equality. Other governments play a much smaller role.

Three approaches to economic inequality are **egalitarianism**, ensuring **equitable distribution of income and wealth**, and ensuring equality of opportunity for all citizens, an approach you will examine more closely later in the chapter. These approaches can be plotted on an economic spectrum (see Figure 12-3 below). As you can see, the degree to which a government intervenes to achieve economic equality varies according to its values.



**Figure 12-3** ▲

In most liberal democracies, left-leaning political parties usually want to eliminate or reduce economic inequality in society. This desire is based on the idea that wealth created in society should be shared more equitably among the members of society. For example, on its website (<http://www.labour.org.uk/>), Britain's Labour Party states, "by the strength of our common endeavour we achieve more than we achieve alone, so as to create...for all of us a community in which power, wealth and opportunity are in the hands of the many, not the few." Another reason for supporting income equality is a theory that it may reduce tension and conflict between different classes in society.



## Equality

Equality in any arena—whether it is political, social, or economic—is not easy to achieve, and means different things to different people. However, equality is one of

those ideals that many people seek, perhaps because it gives them a sense of fairness and benefits everyone in society.

What understandings of economic equality do the following points of view suggest?

*Isn't it time to end child poverty in America, which costs our country hundreds of billions in lost productivity every year? Sadly, our nation's poor children don't have a team of bank presidents or investment house CEOs to plead for an economic bailout for their families in the corridors of power in Washington.*

—Marian Wright Edelman, “Now Is the Time to Bail Our Poor Children and Families Out of Poverty,” *Child Watch Column*, January 23, 2009. Children's Defense Fund. Available at [http://cdf.childrensdefense.org/site/MessageViewer?em\\_id=13461.0](http://cdf.childrensdefense.org/site/MessageViewer?em_id=13461.0).

*The new data [2005] also shows that the top 300,000 Americans collectively enjoyed almost as much income as the bottom 150 million Americans. Per person, the top group received 440 times as much as the average person in the bottom half earned, nearly doubling the gap from 1980.*

—David Cay Johnson, “Income gap is widening, data shows.” *New York Times*, March 29, 2007, <http://www.nytimes.com/2007/03/29/business/29tax.html>.

*“My idea of society is that while we are born equal, meaning that we have a right to equal opportunities, all have not the same capacity. It is, in the nature of things, impossible. For instance, all cannot have the same height, or colour or degree of intelligence, etc.; therefore, in the nature of things, some will have ability to earn more and others less. People with talents will have more, and they will utilize their talents for this purpose. If they utilize their talents kindly, they will be performing the work of the State. Such people exist as trustees, on no other terms.*

*I would allow a man of intellect to earn more, I would not cramp his talent. But the bulk of his greater earnings must be used for the good of the State, just as the income of all earning sons of the father go to the common family fund. They would have their earning only as trustees.”*

—Mahatma Gandhi, 1931.  
<http://www.mkgandhi.org/momgandhi/chap55.htm>.



▲ **Figure 12-4** Mahatma Gandhi (1869–1948) was a political and spiritual leader in India, and was instrumental in gaining India's independence from Britain.



While prohibiting a Thomas Edison or a Bill Gates from becoming fabulously wealthy does indeed reduce income inequality, it does not make the poor richer. [...]

Income inequality is an effect. The cause is the difference in people's economic production. Criticizing income inequality is like complaining that a computer carries a higher price than a paper clip. Price reflects an object's market value—and the money someone earns reflects the market value of his work. There is no fixed, pre-existing glob of income that somehow oozes disproportionately into the pockets of the rich. Wealth is created. The top fifth of the population have ten times more income than the bottom fifth because they have produced ten times more.

—Peter Schwartz, “In Defense of Income Inequality,”  
April 1, 2007. Accuracy in Media,

<http://www.aim.org/guest-column/in-defense-of-income-inequality/>.

“On March 8, International Women’s Day, the Canadian Labour Congress is launching a women’s economic equality campaign—“Equality! Once and For All!” An exciting year-long campaign, the CLC will use every opportunity to raise awareness about the lack of attention paid by politicians, employers and the media to the growing economic inequality of women, through the use of creative and innovative tactics... After twenty-five years of progress, the gap between the average wages of Canadian men and women has stopped narrowing and is now growing. Women workers of colour, Aboriginal women and women with disabilities face even greater economic disadvantages.”

—Source: “March 8th is International Women’s Day,” March 3, 2008.  
Public Service Alliance of Canada BC,

<http://www.psacbc.com/categories/womens-issues/iwd/>.

The quotations present some different points of view on economic equality.

- 1 What point of view about economic equality does each source defend? Which details in each source communicate each speaker’s point of view?
- 2 Which are aspects about economic equality that you had not considered before? What are your initial responses? What would you like to know more about to help inform your own position on the extent to which governments should support economic equality?
- 3 To help you develop your own position on this issue of economic equality, consider how you would answer the following question: Should individuals be mainly responsible for their own well-being or should society, through government, ensure everyone’s well-being?

## READING GUIDE

When you are developing and defending an informed response to an issue. You should also consider the points of view and perspectives of others. Use the following questions to guide you:

- Have you considered your own viewpoint? What reasons and evidence do you have? What are your biases?
- Have you analyzed several sources with different viewpoints?
- Have you identified reasons and evidence from sources to support your position?
- How can knowing other viewpoints about the issue help to strengthen your own position?
- Is your position clear, convincing, and something that you can defend?
- Is your response to the issue well organized and communicated clearly?

Parties on the political right generally favour a small role for government in addressing economic inequality. This is based on the belief that people have different talents that are valued to a greater or lesser degree in a free-market economy. Another theory is that competition between individuals can lead to economic prosperity for society as a whole, and wealth will trickle down from the wealthy to others in society. Examine the quotation below, and identify the reasons given for accepting economic inequality among individuals.

*“A bedrock American principle is the idea that all individuals should have the opportunity to succeed on the basis of their own effort, skill, and ingenuity. Equality of economic opportunity appeals to our sense of fairness, certainly, but it also strengthens our economy. If each person is free to develop and apply his or her talents to the greatest extent possible, then both the individual and the economy benefit.*

*Although we Americans strive to provide equality of economic opportunity, we do not guarantee equality of economic outcomes, nor should we. Indeed, without the possibility of unequal outcomes tied to differences in effort and skill, the economic incentive for productive behavior would be eliminated, and our market-based economy—which encourages productive activity primarily through the promise of financial reward—would function far less effectively.”*

—Source: Ben S. Bernanke, US Federal Reserve chairman,  
“The Level and Distribution of Economic Well-Being,”  
speech to the Greater Omaha Chamber of Commerce, February 6, 2007.  
Board of Governors of the Federal Reserve System,  
<http://www.federalreserve.gov/newsevents/speech/Bernanke20070206a.htm>.

### Summary

People have different understandings of economic equality, including egalitarianism, equal opportunity, and equitable distribution of wealth. These different understandings and the emphasis a society or government places on them can affect the economic goals of a country. The idea of having governments encourage economic equality is interpreted differently by different people and can reflect collectivist values, individualist values, or a combination of the two.

### Knowledge and Understanding

- 1

Summarize your understandings of the concept of economic equality in a chart.
- 2

Using the details in your chart, identify which aspects of economic equality you believe would be practised in societies with economic systems and values
- a) based on collectivism

b) based on individualism

Indicate a “C” for collectivism and an “I” for individualism.
- 3

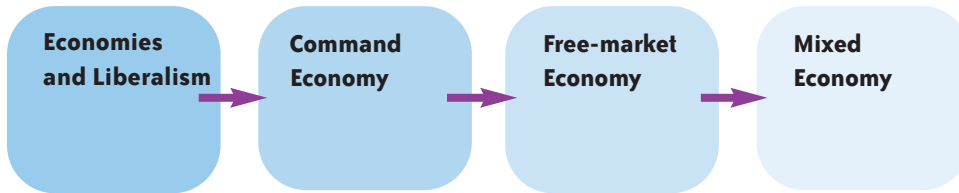
Which aspects of economic equality do you believe are most likely to succeed and benefit the common good in a country like Canada? Why?

## Promoting Economic Equality

### Question for Inquiry

2. In what ways can governments promote economic equality?

### In this section ...



How much economic equality do you think there is in Canada? According to the Conference Board of Canada, not as much as you might think.

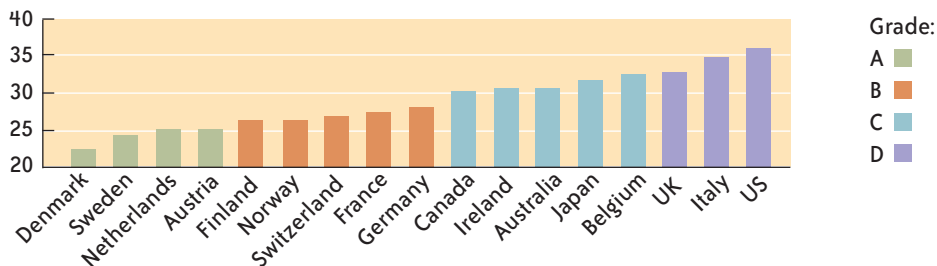
*“Although Canada’s wealth is distributed more equally than in the U.S., Canada’s 10th place ranking suggests it is doing a mediocre job of ensuring income equality. Canada gets a “C” grade on this indicator. Denmark and Sweden, which have the lowest levels of poverty among their working-age populations, are also the clear leaders on the income inequality indicator... Their success in maintaining low poverty rates is attributable to a universal welfare policy that has been effectively combined with job creation strategies that support gender equality and accessibility.”*

—Source: “Income Inequality: How does Canada compare to its peers?”

How Canada Performs, 2009. The Conference Board of Canada,

<http://www.conferenceboard.ca/HCP/Details/society/income-inequality.aspx>.

Now that you have looked at these statistics and read this review of Canada’s performance, what do you think would be the best approach to address economic inequality in Canada? Do you believe it is the government’s responsibility to address economic equality or is it up to individuals? Why?



Source: “Income Inequality: Key Messages,” 2009. The Conference Board of Canada, <http://www.conferenceboard.ca/HCP/Details/society/income-inequality.aspx>.

### READING GUIDE

Statistics can help you develop your response to an issue or defend it.

#### Statistics

- provide numerical data, or information, on a topic.
- may be presented in the form of a study or survey.
- may be used in whole or in part in sources to defend a viewpoint. Including or excluding certain statistical details can strengthen or weaken a position.
- should be considered on the basis of authority, accuracy, and relevance. Always consider how many people were included in a study (Hint: A survey of 10 people is less reliable than a survey of 1000.) Also consider what organization funded the study or survey.

When you come across statistics in a source, remember to consider these points.

◀ **Figure 12-5** Income inequality, 2000 or most recent year. This graph illustrates that income inequality is greater in Canada than in nine of the liberal democratic countries included in this comparison.



Sometimes it is also difficult to separate political and economic government practices. Often, political and economic goals or policies are closely tied. The following diagram illustrates political and economic freedoms with some of the different political systems that you have already examined in earlier chapters.

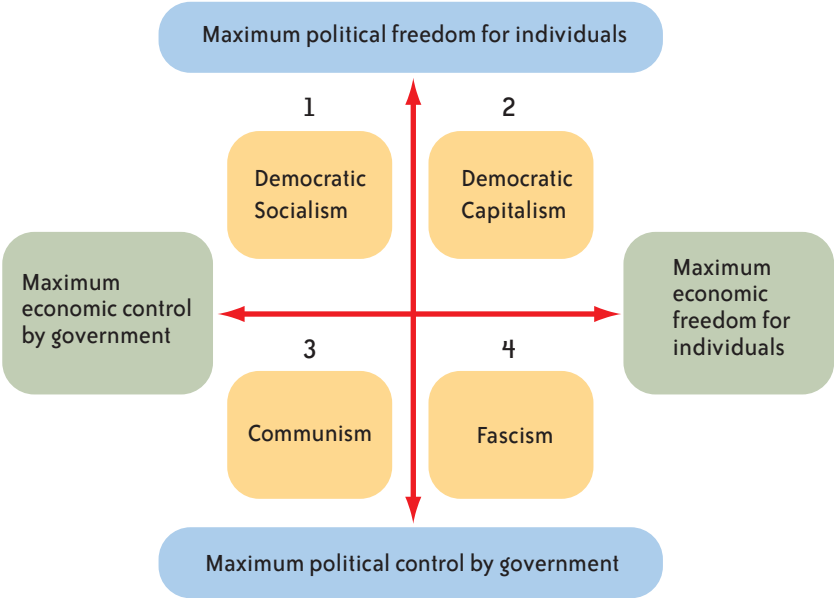
On the grid (Figure 12-6), core liberal values (self-interest, competition, economic freedom, and private property) would fall primarily in quadrant 2.

*“The program of liberalism, therefore, if condensed into a single word, would have to read: property, that is, private ownership of the means of production... All the other demands of liberalism follow from this fundamental demand. Side by side with the word ‘property’ in the program of liberalism one may quite appropriately place the words ‘freedom’ and ‘peace.’”*

—Source: Ludwig von Mises (Austrian economist, 1881–1973),  
quoted in “Liberalism,” p. 19. Ludwig von Mises Institute,  
<http://mises.org/liberal/ch1sec1.asp>.

Do you agree that the political ideals of freedom and peace stem from the economic principle of private ownership? What evidence would you use to support your position? What role should economic freedom and economic equality have in government decisions to best serve the needs of all citizens?

**Figure 12-6** Political-economic grid based on the degree of economic and political freedom or government control favoured by particular ideologies.



Source: Adapted from David J. Rees, *Global Systems* (Edmonton, AB: Arnold Publishing, 1999), p. 24.

## Economies and Liberalism

The economic values of collectivism and individualism have very little in common. Both ideologies try to meet the economic needs of the people, but in different ways. Whether or not an economic system reflects liberal values depends on the goals of the government. The primary liberal values that relate to the economy are self-interest, competition, economic freedom, and private property. You explored these values in Chapter 2.

In this section, we will examine which economies reflect these values of liberalism. We will consider the following systems:

- command economy
- mixed economy
- free-market economy

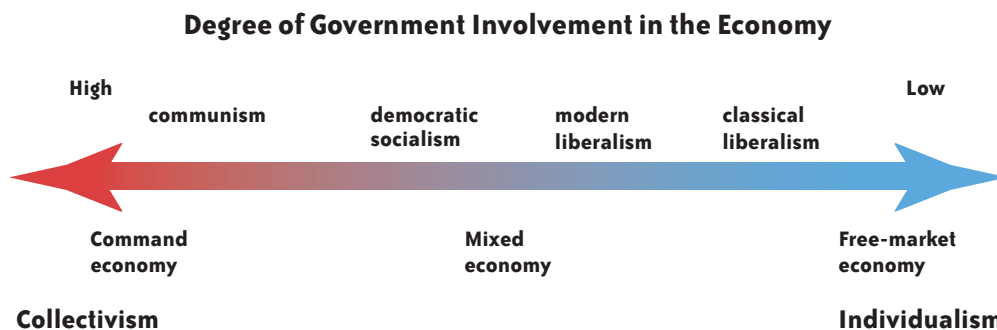
Understanding these economies and how governments practise the values of liberalism will help you better address the Chapter Issue: *To what extent should governments encourage economic equality?*

Any economy, no matter what type, exists to solve the problems of scarcity and choice. Resources or products are always limited (scarcity), and we must make choices about these resources and products. So economic systems must address the following questions:

- What will be produced? (both goods and services)
- How will goods and services be produced? (production)
- To whom will they be distributed and at what price? (distribution)
- Who will make these decisions? (private business or government, or both)

How governments answer these basic economic questions results in different economic systems. The three basic economic systems are command economy, mixed economy, and free-market economy.

The values of liberalism are present in these economies to different degrees. Some governments choose to apply many or most of the values of liberalism in the economic system, while others embrace more collective values. Figure 12-7 compares the three economic systems.



**Figure 12-7** ▲ As you began to examine in Chapters 1 and 5, governments have different levels of involvement in their political and economic systems, depending on whether they favour the values of collectivism or individualism.

### READING GUIDE

When you read about different economies, each may have several names that describe the same system. Add these names to your glossary along with the defining characteristics of each system. For example, a command economy may also be referred to as a centrally planned economy, public enterprise economy, socialist economy, or government-controlled economy.

Command Economy

The idea of a **command economy** was created as a response to the classical liberal values of the Industrial Revolution. The Soviet Union under Stalin and Cuba under Fidel and Raúl Castro are both examples of countries with a command economy.

How would the command economy, also known as a **centrally planned economy** or **public enterprise economy**, answer the basic economic questions?

- **What will be produced?** The government decides through study and planning what the needs of the society are. Individual consumers are not given priority.
- **How will goods and services be produced?** The government or the public owns the factories, resources, and all the means of production. Quotas (production targets) are set for factories and farms. There is no private property or competition between different producers. The government may direct individuals to jobs and careers that best meet the needs of the society.
- **To whom will goods and services be distributed?** The government controls distribution according to people’s needs, and this promotes economic equality. The government may also use this control to achieve military, industrial, or other goals for the society. Prices for goods are set by central planners.
- **Who will make these decisions?** The leaders and their planning group (the central planners) determine the needs of the society and create, implement, and assess the plan.

Figure 12-8 ▼

Some Perceived Advantages	Some Perceived Disadvantages
<ul style="list-style-type: none"> <li>• The economy can be efficient and use resources to meet planned goals and targets.</li> <li>• Wealth may be distributed more equally, and people may have access to the basics they need to exist.</li> <li>• Governments can ensure full employment.</li> <li>• The marketplace can be stable and regulated, without experiencing economic booms and recessions.</li> <li>• The goals of society may be met first, and profits benefit everyone in society.</li> <li>• It is assumed that if the society prospers, the individual will benefit too.</li> </ul>	<ul style="list-style-type: none"> <li>• Individual consumers may not have their needs met, and individual wealth may not be a goal.</li> <li>• People may not have a choice of career, and they may live with more regulations than they would in other economic systems.</li> <li>• Individuals may not have any incentive to work harder or improve the company or product.</li> <li>• Sometimes the economy is slow to respond to any changes, since the plans are locked in place.</li> <li>• Waste and inefficiency can be problems; the society may suffer if the government does not consider a particular goal to be important (for example, protection of the environment).</li> <li>• The government may focus on one type of production (for example, military hardware) rather than producing goods that meet people’s personal needs (for example, consumer goods).</li> </ul>

## Egalitarianism and Cuba

One of the values of collectivism is **egalitarianism**, which means that people are treated equally and have the same political, economic, and social rights. Following the revolution of 1959, the communist government of Cuba under the leadership of Fidel Castro tried to achieve economic equality for all Cuban citizens. Castro's goal has been described as the "cherished ideal of egalitarianism, where every man must be equal even if all are poor." (Source: Michael Voss, "Cuba farms hint at future reform." BBC News, July 31, 2007, <http://news.bbc.co.uk/2/hi/americas/6923717.stm>.) Work was valued for its positive impact on society: for example, a doctor and a cleaner would both be judged as having a positive impact; if the trash collector did not collect trash properly, then society would suffer from unsanitary living conditions. The jobs would not receive equal pay, but the difference would not be great.

Cubans under communism have not received high incomes, nor have they been able to buy many products you might take for granted, but their quality of life could be considered favourable by other measures.

*"Cuba's achievements in social development are impressive given the size of its gross domestic product per capita. As the human development index of the United Nations makes clear year after year, Cuba should be the envy of many other nations, ostensibly far richer. [Cuba] demonstrates how much nations can do with the resources they have if they focus on the right priorities—health, education, and literacy."*

—Source: Kofi Annan, former Secretary General of the United Nations, April 11, 2000, quoted in "Cuba – Social Policy at the Crossroads: Maintaining Priorities, Transforming Practice," p. 6. Oxfam America,

[http://www.oxfamamerica.org/newsandpublications/publications/research\\_reports/art3670.html/OA-Cuba\\_Social\\_Policy\\_at\\_Crossroads-en.pdf](http://www.oxfamamerica.org/newsandpublications/publications/research_reports/art3670.html/OA-Cuba_Social_Policy_at_Crossroads-en.pdf).

In 1991, when the Soviet Union collapsed, Cuba had to adjust to the loss of its favoured trading partner. Cubans faced shortages, and the government made a number of policy changes. The government allowed some private businesses and encouraged tourism to bring more foreign money into the Cuban economy. As a result, people in some occupations, such as doctors and tourism workers, were able to earn more than the average salary of \$10 to \$15 per month. In order to keep the country running, the Cuban government focused less on economic egalitarianism and adopted a few more liberal economic policies.

The Cuban government's efforts from 1959 to 1989 were about more than just pay. As the following quotation points out, the egalitarian society that Castro wanted for Cubans was also about education, health care, clean water, and so on.

*Despite shortages and imperfections, Cuba was the most egalitarian society on the planet until the USSR disintegrated. The egalitarian design of the revolution ... [focused on] basic schooling and health, ... books, electricity, water, vaccinations, university, theatres, sports, vacations and social security.*

—Source: "Cuba: What Fell? What's Going Up?" *Envío Magazine* 167 (June, 1995), <http://www.envio.org.ni/articulo/1869>.



▲ **Figure 12-9** In Cuba in February 2008, “[t]he state-run newspaper...ran an article headlined ‘Work: Option or necessity?’ The writer pointed out that, judging by the number of people in the streets during the day, many Cubans don’t seem to be on the job. They have few motivations to buckle down: Salaries average about \$15 per month on the island, and Cubans get monthly food rations even if they don’t work.” What are your beliefs about the motivation to work? Do you agree or disagree with the point of view in this source? Why? What other reasons might exist to explain why people are not working?

Source: “Castro’s brother faces big challenges in Cuba.”  
CNN online, February 26, 2008,  
<http://www.cnn.com/2008/WORLD/americas/02/26/raul.castro.challenges/>.



▲ **Figure 12-10** Cuban leaders Fidel and Raúl Castro

In 2008, the presidency of Cuba passed from Fidel Castro to his younger brother, Raúl Castro. After taking power, Raúl proposed to move the Cuban economy toward more private ownership of land and new ways of raising productivity. New interpretations of economic equality are being explored. Wayne S. Smith of the Center for International Policy, in Washington, DC, commented, “The Cuban people want change, want reforms that will bring a better way of life.” What would you recommend as the best economic decisions that could bring a “better way of life” to a society like Cuba’s? Would a balance of collectivism and individualism achieve this? (Source: “Castro’s brother faces big challenges in Cuba.” CNN online, February 26, 2008, <http://www.cnn.com/2008/WORLD/americas/02/26/raul.castro.challenges/>.)

## Free-market Economy

The free-market economy is a theoretical concept, and no pure free-market economy really exists. England during the Industrial Revolution and the United States before the Great Depression would be the closest examples of true free-market economies.

How would a free-market economy, also known as a **capitalist economy**, **laissez-faire economy**, or **private enterprise economy**, answer the basic economic questions?

- **What will be produced?** Due to scarcity of resources, **supply and demand** determine what is produced and in what quantities. In other words, producers determine what and how much to produce (supply) to meet consumers’ demand for these goods.
- **How will goods and services be produced?** Companies decide how to use scarce resources to respond to consumer demand and make the most profit.



- **To whom will goods and services be distributed?** Whoever can afford to pay for the goods or services will buy them. Private ownership and private property are protected by law.
- **Who will make these decisions?** In the marketplace, the government allows businesses or entrepreneurs and consumers to make these decisions. Prices, wages, and salaries are also decided by the forces of supply and demand in the marketplace.



**Figure 12-11** Graph of simple supply and demand. Note that the slope of the demand curve (downward to the right) indicates that a greater quantity of goods will be demanded by consumers when the price is lower. On the other hand, the slope of the supply curve (upward to the right) tells us that as the price goes up, producers are willing to produce more goods.

Source: "What is a market?: How a market allocates resources." Office of Health Economics, [http://www.ohe.org/page/knowledge/schools/fm\\_approach/what\\_is\\_market/resource\\_allocation.cfm](http://www.ohe.org/page/knowledge/schools/fm_approach/what_is_market/resource_allocation.cfm).

Some Perceived Advantages	Some Perceived Disadvantages
<ul style="list-style-type: none"><li>• Competition between companies results in low prices, higher quality, and wider selection of goods.</li><li>• Efficiency is encouraged in use of resources and the operation of companies to keep production costs low.</li><li>• Technology and innovation are encouraged.</li><li>• Workers and owners are motivated to earn money and make profits.</li><li>• The economy can respond quickly to change.</li><li>• When a company is doing well, it can afford to pay its workers well. When there is a shortage of workers, a company will pay higher wages to attract and keep them.</li></ul>	<ul style="list-style-type: none"><li>• A wide gap may exist between high- and low-income earners.</li><li>• The economy may go through periods of growth and inflation (boom) and recession or depression (bust).</li><li>• There may be periods of high unemployment.</li><li>• Product or service advertising can manipulate consumer demand.</li><li>• Producers can form <b>monopolies</b> and exert too much control over the marketplace.</li><li>• Sometimes resources can be used ineffectively, and the costs may affect everyone in society (for example, factory pollution or depletion of resources).</li><li>• Sometimes resources are wasted on goods that people want, but which they may not need.</li></ul>

In a free-market economy, the values of classical liberalism—private property, self-interest, competition, and economic freedom—are seen as advantages. Jim Peron, executive director of the Institute for Liberal Values, argues, as Adam Smith did in the late 1700s, that self-interest and liberalism benefit all of society.

**Figure 12-12** ▲

*[I]n a truly liberal society, the economy is one of free markets and property rights. Individuals seeking their own well-being produce goods and services for exchange with other individuals who are also seeking their own good. No trade will take place in a free economy unless all the trading partners believe they will benefit. To improve their own life each individual must also improve the lives of others, even if this is not his intent.*

—Source: Jim Peron, "What is Liberalism?" Institute for Liberal Values, [http://www.liberalvalues.org.nz/index.php?action=view\\_article&article\\_id=124](http://www.liberalvalues.org.nz/index.php?action=view_article&article_id=124).



**Figure 12-13** Have you ever acquired all the railroads in Monopoly? Or have you purchased the properties Boardwalk and Park Place? The idea of this board game is to collect monopolies, or to be the sole owner of properties, hotels, or businesses. When people land on those properties, they then have to pay you far in excess of what they are worth. You have eliminated the competition. Some examples of monopolies in 2009 could be Google, Microsoft, Amazon, and ebay. Can you think of any other monopolies in our society? How do monopolies relate to economic expressions of liberalism?

### PAUSE AND REFLECT

What do you think of the inclusion of the words “to make for themselves the lives that they are able and wish to have and to have their needs accommodated”? Is economic equality the opportunity for individuals to live a life that makes them happy?

## Equality of Opportunity

Economic equality is more than just redistributing wealth. It also involves the idea of equal opportunities, which Gandhi expressed on page 312. For some, economic equality simply means there should be no discrimination or barriers that stand in the way of any individual who wants to achieve economic success. So, if you want to work hard toward attaining a particular job, nothing should stand in your way: the opportunity to follow that career path should be available to you, but the decision is yours to make.

In most countries, when we speak about economic equality and equal opportunities, it is usually in reference to employment. After all, if people are to become equal in economic terms, they need to have access to the same employment opportunities. In Canada, we have the Canadian Human Rights Act, which states the following:

*[A]ll individuals should have an opportunity equal with other individuals to make for themselves the lives that they are able and wish to have and to have their needs accommodated, consistent with their duties and obligations as members of society, without being hindered in or prevented from doing so by discriminatory practices based on race, national or ethnic origin, colour, religion, age, sex, sexual orientation, marital status, family status, disability or conviction for an offence for which a pardon has been granted.*

—Source: Canadian Human Rights Act, Department of Justice Canada, [http://laws.justice.gc.ca/en/showdoc/cs/H-6/bo-ga:s\\_1/en#anchorbo-ga:s\\_1](http://laws.justice.gc.ca/en/showdoc/cs/H-6/bo-ga:s_1/en#anchorbo-ga:s_1).

Elements of equality of opportunity can be found in many economic systems. However, equality of opportunity is usually found in free-market, liberal, democratic countries such as the United States. No economy can generally exist as a pure free-market system. The United States, like Canada, could also be seen as having a mixed economy, with a greater emphasis on free-market values than Canada.

## Equality of Opportunity and the Quiet Revolution in Canada

An example of promoting equal economic opportunity in Canada is the period in Québec's history known as the *Révolution tranquille* (Quiet Revolution). As you already examined in Chapter 6, this period began with the election of the Jean Lesage provincial government in 1960, and continued for a decade. Lesage's Liberal government created a new public Ministry of Education. The Ministry took over the responsibility of educating students from the Catholic Church and created vocational courses. The new focus was on preparing students to better compete in Canada's workforce with measures such as improving teacher training, providing more accessible Francophone post-secondary opportunities, and modernizing the school curriculum. Before these changes, Francophones found themselves

discriminated against and unfairly disadvantaged in the workforce in many circumstances. These measures helped create more equal economic opportunities for the Francophones in Québec in an economy that had been dominated by the Anglophone minority of the province.

## Equality of Opportunity and Affirmative Action in the United States

Supported by the ideas and values in the United States Declaration of Independence (“That all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness.”), affirmative action was born out of the civil rights movement in the United States in the early 1960s. As a result of the 1964 Civil Rights Act and the Committee on Equal Employment Opportunity, new national government policies such as affirmative action were developed to ensure that hiring and employment practices were free of racial and gender discrimination.

American president Lyndon Johnson passed the Civil Rights Act of 1964. Its affirmative action policies resulted in preferential treatment of those who had traditionally faced discrimination in order to increase their presence in educational institutions and in the workplace. He detailed his vision for affirmative action in the United States in this 1965 speech:

*“You do not take a person who, for years, has been hobbled by chains and liberate him, bring him up to the starting line of a race and then say, “you are free to compete with all the others,” and still justly believe that you have been completely fair... This is the next and the more profound stage of the battle for civil rights. We seek not just freedom but opportunity.”*

—Source: **Lyndon B. Johnson, commencement speech at Howard University, Washington, DC, June 4, 1965.**

**Lyndon Baines Johnson Library and Museum,**

<http://www.lbjlib.utexas.edu/johnson/archives.hom/speeches.hom/650604.asp>.

Several states continue to challenge affirmative action on the grounds that it violates constitutional rights. However, many citizens enjoy its benefits of increased opportunity. Discussion continues around how to define affirmative action and to whom it should apply.

**Figure 12-15** In 2004, the University of Texas announced that it would restore affirmative action in undergraduate admissions in the fall of 2005, using updated guidelines consistent with a 2004 decision by the US Supreme Court in favour of affirmative action. The court said that racial and ethnic backgrounds for underrepresented minorities could be used as one factor in deciding which students to admit. What are the possible positive and negative effects of affirmative action programs?



**Figure 12-14** The civil rights movement in the United States was championed by many Americans, notably Martin Luther King, Jr, seen here after delivering his famous 1963 “I Have a Dream” speech in Washington, DC.



### PAUSE AND REFLECT

**Do you think that the policy of affirmative action can promote economic equality? Why?**







## Affirmative Action in Michigan

Affirmative action has had strong supporters and opponents over the years. For example, in Michigan, Jennifer Gratz was rejected admission into the University of Michigan even though she had a 3.8 GPA (grade point

average) out of a possible 4 points, and was twelfth in her graduating class. Affirmative action meant that the university had a dual-admission system for different races with completely different standards for each. Gratz became the executive director of the Michigan Civil Rights Initiative, which petitioned to amend the state constitution. A November 2006 ballot asked for voters' response to a proposal to do the following:

*[T]o amend the state constitution to ban affirmative action programs that give preferential treatment to groups or individuals based on their race, gender, color, ethnicity or national origin for public employment, education or contracting purposes.*

—Michigan Senate,

<http://www.senate.michigan.gov/sfa/Publications/BallotProps/Proposal06-2.pdf>.

The results of the November 7 vote were 58 per cent in favour and 42 per cent against. Consequently, Michigan became one of three US states that has restricted affirmative action practices.

The following quotations represent some of the many opinions expressed about the subject.

*"Everybody seems afraid—afraid for their jobs, their safety, their children's education. And politicians have whipped this fear into a frenzy... Now the enemy takes the form of the poor, the elderly, the black, the alien. Can America discover its soul before it degenerates into total race and class warfare?"*

—Bart Schneider (author and editor), quoted in Reginald Wilson, "Racial Tensions on Campus." *New Politics* 5, 3 (Summer, 1995),

<http://www.wpunj.edu/newpol/issue19/wilson19.htm>.

*"The outcome of the vote on the Michigan affirmative action initiative underscores the fact that race continues to matter in America... the opposition to affirmative action increases when racial minorities are viewed as the primary beneficiaries. When white women are added to the mix, there is less opposition. Ironically, white women have been the primary beneficiaries of affirmative action."*

—Shirley J. Wilcher (former Deputy Assistant Secretary, US Department of Labor), in posted comments to Scott Jaschik,

"Still Fighting for Affirmative Action," November 9, 2006. *Inside Higher Ed*, <http://www.insidehighered.com/news/2006/11/09/michfolo>.



▲ Figure 12-16 Jennifer Gratz

- 1 For each of these quotations, summarize the speaker's main idea and point of view, and the implications of that point of view. What is your response to each quotation?
- 2 Research Canadian programs that address the economic inequality of specific groups. For one or two examples, how have Canadians responded to these efforts?
- 3 Can and should a government address the injustices of the past now? Could this result in unequal opportunities for others and new injustices? What are the implications for individuals, groups, and Canadian society as a whole? From your point of view, is economic equality a realistic goal? Defend your response with informed reasons and evidence.

Mixed Economy

Government intervention in the economy results in a **mixed economy**, where free-market principles are combined with some degree of government intervention. Mixed economies came about largely because of the widespread poverty, unemployment, and desperation created in many parts of the world during the Great Depression of the 1930s. People looked to the government to solve their economic problems. They did not believe that the free-market economy could meet their needs. A mixed economy combines elements of the free-market economy and the command economy. Canada and Sweden are examples of countries with a mixed economy.

How would a mixed economy answer the basic economic questions?

- **What will be produced?** Through supply and demand, companies listen to consumers and produce what they want, as in a free-market economy; however, when businesses do not provide an important good or service to society, government can step in to provide it.
- **How will goods and services be produced?** Privately owned companies still decide how goods and services will be produced in order to maximize their efficiency and profit. But the government may intervene with regulations and laws regarding employment, safety, consumer rights, or **subsidies** (business assistance). Some enterprises may also be government-owned (for example, utilities, communications, and transportation).
- **To whom will goods and services be distributed?** Those who can pay can buy; however, those who are unable to fulfill their basic needs will receive assistance from the government. The government provides a **social safety net** (government-funded services and assistance), which can help people through bad times.
- **Who will make these decisions?** Private companies must accept government involvement and legislation in the marketplace. Private ownership and private property are still protected by law. Prices, wages, and salaries are usually decided by supply and demand in the marketplace, but the government may step in to further its view of the common good.

Figure 12-17 ▼

Some Perceived Advantages	Some Perceived Disadvantages
<ul style="list-style-type: none"><li>• The economy is more stable than a free-market economy and the government can step in to lessen the effects of an economic crisis.</li><li>• The basic needs of people are met.</li><li>• Incentive, profit motive, personal wealth, private ownership, and personal choice are still evident.</li><li>• The goals of the society can be more easily met (for example, promoting the growth of agriculture or industry through subsidies).</li></ul>	<ul style="list-style-type: none"><li>• Higher taxation than in a free-market economy to pay for an increased level of services provided by the government.</li><li>• More government regulation and less personal freedom than in a free-market economy.</li><li>• Government-owned or subsidized companies may have an unfair advantage over private companies.</li><li>• More reliance on the government for social assistance.</li></ul>



During poor economic times, the government may freeze wages and prices of essential goods. Government-owned companies may make decisions based on the needs of the society.

Equitable Distribution of Incomes and Wealth

Not all interpretations of economic equality are as extreme as the goals that Fidel Castro had for Cuba. Other supporters of economic equality, for example, do not want equal or nearly equal incomes; they want instead *more equitable* distribution of money than what people had previously experienced. In 1936, the influential economist John Maynard Keynes wrote the following:

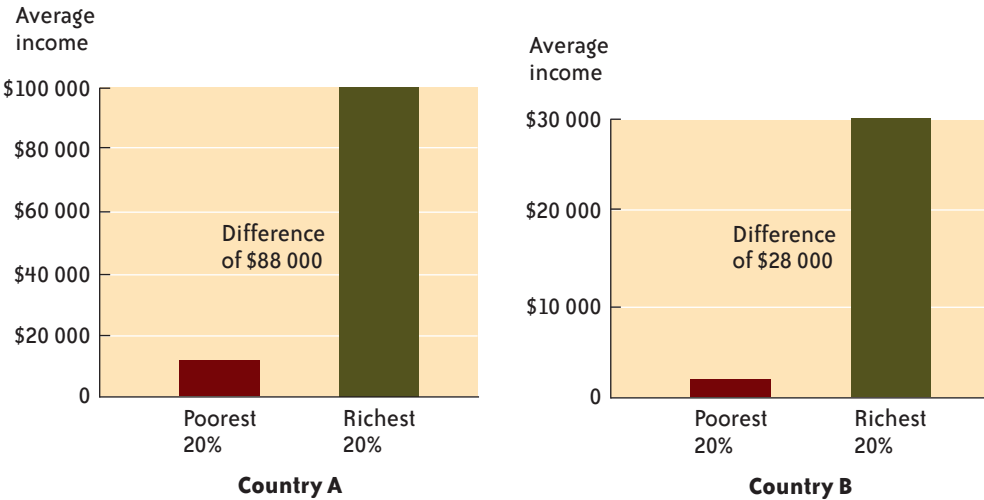
*“The outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and incomes.”*

—Source: John Maynard Keynes, *The General Theory of Employment, Interest and Money*, Chapter 24, 1936. Marxists Internet Archive, <http://www.marxists.org/reference/subject/economics/keynes/general-theory/ch24.htm>.

As you read in Chapter 6, full employment and equitable distribution of money were huge concerns in the 1930s. These were the years of the Great Depression, which started in October 1929, and which was felt in Canada, the United States, and many other countries. In the United States, over one-quarter of workers were unemployed, banks closed, and those who were lucky enough to have a job saw their wages drop by 43 per cent between 1929 and 1933.

During the Great Depression, societies that embraced laissez-faire capitalism experienced a major downside of the free-market economic system. Classical liberals believed that the free market would function effectively without any government intervention and with a constant flow of money between consumers and the marketplace.

**Figure 12-18** By comparing average incomes of the richest and poorest 20 per cent of households in a country, economists can evaluate how wealth is shared. Where the difference between the richest and poorest is less, there is more economic equality in a country. Where the difference is greater, there is less economic equality. For example, the \$28 000 difference between the richest and poorest in Country B means that Country B has more economic equality than Country A, where the difference is \$88 000. How could you use these graphs to support an argument about the importance of economic equality?



However, during a recession (a bust period in the economy), people tend to save money rather than spend, which can cause a recession to become a depression (a long and severe recession). Some economists, like John Maynard Keynes, believed that in order to prevent these economic extremes the government should encourage spending over saving and support the redistribution of wealth in society.

Governments wanted to find a way of avoiding the effects of the boom-bust cycle of the free-market system. Some economists argued that the economic cycle of inflation followed by recession was caused by consumer demand. They said that regulating consumer demand could soften the boom-bust cycle and that the government was in a position to do so. They said that, even in a liberal democratic society, governments could and should safeguard all citizens from economic uncertainty.

Two types of actions that governments can take in a market economy in order to control periods of boom and bust are policies related to spending more or less money and raising or lowering taxes (see Figure 12-19).

Countries that have embraced a mixed economy value the benefits of a free-market economy, but provide for some greater balance and stability through these types of government intervention.

The US president during the Great Depression, Franklin D. Roosevelt, put in place some new policies that reflected the ideas of government intervention to try to address the economic situation in the United States. Roosevelt was born into a family of wealth and privilege, but he was brought up to believe that wealth brought with it responsibility to those less fortunate. In the face of the Depression, this meant to him a “New Deal” (economic policy) in which the government invested a lot of money and effort in “the forgotten, the unorganized but the indispensable units of economic power...the forgotten man at the bottom of the economic pyramid.” (Source: Franklin D. Roosevelt, “The Forgotten Man” [radio address], April 7, 1932. New Deal Network, <http://newdeal.feri.org/speeches/1932c.htm>.) By spending on large public works projects (such as roads and dams), many people were able to work again and earn money.

### Economic Stability and Government Intervention

Governments have a duty to protect their citizens and to provide for the country's economic interests. National economic interests are supposed to provide a country with economic stability. Citizens rely on a strong and stable economy to give them a good quality of life.

Some governments have lost power when their country's economy weakened. Other governments have stayed in power because of their country's strong economy. Protecting national economic interests often becomes connected with political power. In some countries, the companies and people who keep the economy strong have more power than the average citizen.

**Figure 12-19** During a recession, governments can spend more money and reduce taxes, thereby leaving more money in people's pockets. During inflation (a boom), governments can spend less money and increase taxes, leaving less money in people's pockets. This type of government action is known as **fiscal policy**. To encourage consumer spending in a slow economy, the government can also lower interest rates (or raise interest rates to discourage spending during boom times). This type of government action is part of its **monetary policy**. ▼



#### PAUSE AND REFLECT

**Do you believe that democratic governments should do whatever it takes to provide economic stability and security for their citizens, including spending taxpayer dollars on aid packages and employment programs? Should there be any limits? What role should the values of collectivism, such as economic equality, and values of individualism, such as economic freedom, play in these decisions?**



▲ **Figure 12-20** In June 2008, Andy Donato created this cartoon to show Canada threatened by the US recession tornado. What do you think his position is on the effects of the US economy on Canada?

Traditionally, governments based on liberal values have favoured self-interest, competition, and economic freedoms to create economic stability in their countries. These values can lead to great success for some people, but they can also lead to economic hardship for others if some checks and balances are not in place. Some people believe that governments should regulate and monitor those private companies that are essential to a country's economic stability to be sure that the companies operate wisely and ethically.

In 2008, the US, Canada, and many other countries were faced with an economic crisis that some people believe began with risky mortgage loans from US financial institutions. President George W. Bush coordinated a US\$ 700 billion bailout where federal tax money was given to these

institutions to keep them operating and to stimulate the economy for the benefit of all citizens. Some taxpayers protested. They said Bush's Republican government support for private business went against the values of liberalism.

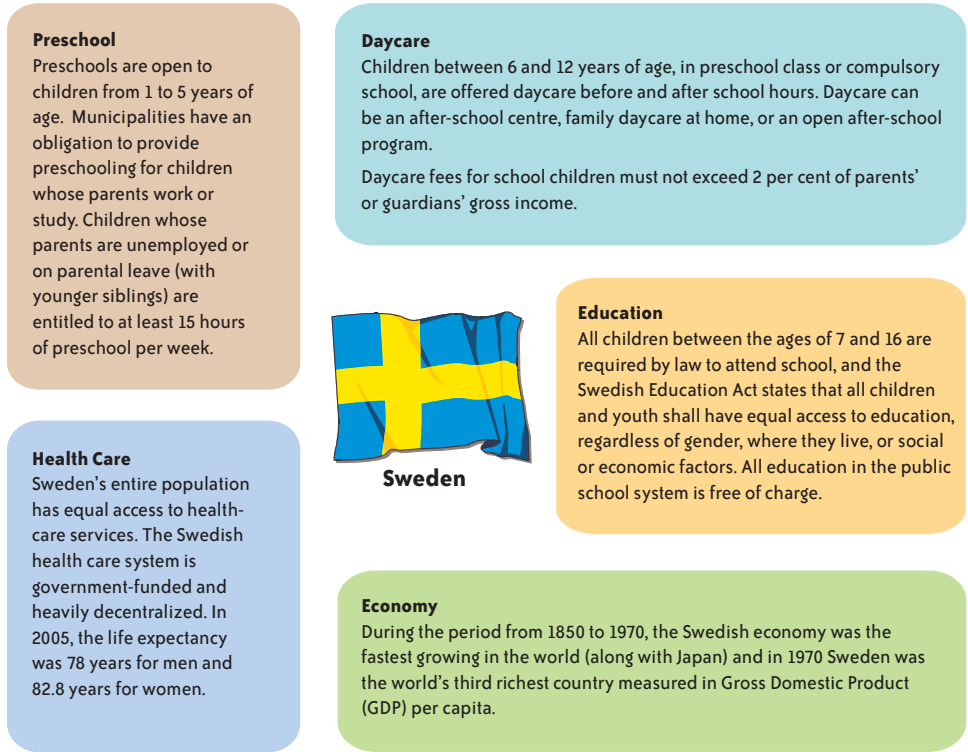
In 2009, US Democratic President Barack Obama added further aid to provide programs for all citizens, to simulate employment, and to support citizens who were in the process of losing their homes. In the interests of simulating the economy for everyone, the US government made difficult decisions that could be seen to embrace some ideas of greater economic equality by investing wealth from taxpayer dollars back into the economic system for its citizens—doing what it believed was in the best interests for the common good. Some people supported Obama's decision. But others believed that their country's liberal values were not being followed. They wondered if spending taxpayer dollars in this way would get the United States out of its current economic recession or worsen the country's economic problems.

The 2008 economic crisis spread to other countries whose governments also tried to stimulate jobs and bring stability to their economies. In March 2009, some leaders from developed and developing countries met at a G20 conference to try to work together to improve economic stability. These countries, including the US, Canada, and many countries in Europe, represented over 80 per cent of the world's economy.

### **Sweden's Approach to Economic Equality**

According to MSN Encarta,

*Since the 1930s, Sweden has operated a mixed economy...that has created an unusual degree of economic equality among citizens and a highly developed infrastructure [system of transportation, banking, health care, communications, and energy]. Although more than 90 percent of Swedish industry is privately owned, the government... [intervenes] to promote full employment and social welfare benefits. Nearly 80 percent of Swedish workers belong to labour unions...Labour-management relations are generally excellent, and strikes are rare. The high level of unionization has created a comparatively high minimum*



**PAUSE AND REFLECT**

How is the Swedish government able to provide these social programs? Would you be willing to pay a large portion of your income as taxes in order for government to provide social programs to all members of society?

Figure 12-21

Sources:  
Economy: [http://www.sweden.se/templates/cs/FactSheet\\_\\_\\_\\_14875.aspx](http://www.sweden.se/templates/cs/FactSheet____14875.aspx);  
Health Care: [http://www.sweden.se/templates/cs/FactSheet\\_\\_\\_\\_15865.aspx](http://www.sweden.se/templates/cs/FactSheet____15865.aspx);  
Education: [http://www.sweden.se/templates/cs/FactSheet\\_\\_\\_\\_15974.aspx](http://www.sweden.se/templates/cs/FactSheet____15974.aspx).

wage, even for low-skill jobs... [Sweden has] low unemployment and one of the world's highest per-capita standards of living.

—Source: “Sweden: Economy,” Microsoft® Encarta® Online Encyclopedia 2008  
[http://ca.encarta.msn.com/encyclopedia\\_761563138\\_5/Sweden.html#s18](http://ca.encarta.msn.com/encyclopedia_761563138_5/Sweden.html#s18)  
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Sweden is an example of a country where the social safety net is described as a “cradle to grave” system, providing many social programs and services for all its citizens from birth until death. In Sweden, the pursuit of economic equality has led to high levels of social services, paid for through high levels of taxation.

Direct Taxes	Indirect Taxes
<ul style="list-style-type: none"><li>• real estate taxes</li><li>• national taxes</li><li>• personal income taxes (ranging from 30% to 55%)</li><li>• corporate taxes</li></ul>	<ul style="list-style-type: none"><li>• national sales tax: Value-Added Tax (VAT) of 25%</li><li>• excise taxes (on alcohol, tobacco, fuel, energy, waste, gambling)</li></ul>

Figure 12-22 This table shows some of the direct and indirect taxes paid in Sweden.



In both Sweden and Canada, a system of **progressive taxation** is used. This means that a person's tax rate increases as his or her earnings increase. This type of taxation system aims to lessen the burden of taxation on those who have lower incomes. In Canada, the rate of taxation can vary from 15 to 30 per cent federally and 4 to 24 per cent provincially. In Sweden, the rate can vary from 29 to 59 per cent. This system differs from a **flat tax** system that applies the same tax rate to all citizens regardless of their level of income.

To some people, these taxation rates may seem unjust. However, American writer Leif Utne, who is married to a Swedish citizen, and Norway-based journalist, Gwladys Fouché, defend these taxes by pointing out that all Swedes benefit in the following ways:

*"...nearly free university education, universal health care, strong unemployment benefits, and my favorite, a minimum of five weeks vacation for all full-time workers. The chance to live in a society truly dedicated to promoting economic democracy and social justice is one of the great attractions Sweden holds for me."*

—Source: Leif Utne, "Life is a Smorgasbord." *Utne Reader* (May/June, 2003), <http://www.utne.com/2003-05-01/life-is-a-smorgasbord.aspx>.

*"Swedes support the second-highest tax burden in the world—after Denmark's—with an average of 48.2 per cent of GDP going to taxes. Yet Sweden, along with equally high-taxing Denmark and Norway, tops almost every international barometer of successful societies...And Swedes are well provided for. Year after year Save the Children puts it at the top [of] its league of countries where it is best to be a mother; the country is sixth on the UN Development Programme's human development index...and UNICEF ranks it second in its table of child wellbeing in rich countries. Maybe Sweden proves that it's worth paying high taxes."*

—Source: Gwladys Fouché, "Where tax goes up to 60 per cent, and everybody's happy paying it." *The Observer*, November 16, 2008, <http://www.guardian.co.uk/money/2008/nov/16/sweden-tax-burden-welfare>.

### PAUSE AND REFLECT

Create a T-chart that outlines some of the benefits and drawbacks of Sweden's approach to economic equality. Do you agree that "Sweden proves that it's worth paying high taxes?"

### PAUSE AND REFLECT

Given the areas of Canadian government spending in 2006 noted in Figure 12-24, were any of the predictions made by Canadians in the 1997 poll accurate? Do you believe that current government spending accurately reflects the will of the people regarding taxes and equitable distribution of wealth in Canada?

## Canada's Approach to Economic Equality

Like Sweden, Canada has had a history of support for social programs. In the late 1920s through to the 1960s, the federal government began to provide social support to Canadians through the development of old-age pensions, social assistance, hospital insurance, and later, medicare. As a result of the traumatic experiences of the Great Depression and the two world wars, collectivist values gained favour among Canadians. Emphasis on policies reflecting the need for the common good, promoting humanitarian ideals, and support for government intervention in the economy emerged. All of these influences favoured a major expansion of government activity in social welfare policies.

The Canadian government, regardless of the ruling political party, has continued to support social welfare programs in Canada. Because of polling and election results, the government continues to spend tax dollars on



<b>Government Laws and Regulations</b>	<ul style="list-style-type: none"> <li>• to protect consumers (for example, safety standards, food inspection)</li> <li>• to protect producers (for example, preventing monopolies, imposing tariffs and quotas on foreign goods, marketing boards)</li> <li>• to protect society in general (for example, environmental laws, labour laws)</li> </ul>
<b>Government-Owned Businesses (Crown Corporations)</b> <i>(Trend since the 1990s = privatization)</i>	<ul style="list-style-type: none"> <li>• to provide services that the private sector was unable or unwilling to provide (in such a large country with such a small population)—especially in utilities, transportation and communications, and essential services (for example, police, armed forces, customs and immigration)</li> <li>• to stimulate regional economies</li> <li>• to rescue key private companies from facing bankruptcy</li> <li>• to make money for government itself</li> </ul>
<b>Government Budget and Financial Policies</b>	<ul style="list-style-type: none"> <li>• the government's fiscal policy (it can vary its taxing and spending—for example, on health care, defence, education, welfare, infrastructure, national and international commitments, services to honour collective rights of Aboriginal peoples and official language groups)</li> <li>• the government's monetary policy (for example, its central bank can vary interest rates to stimulate or to slow down the economy)</li> </ul>
<b>Income Redistribution</b> <i>(Trend since the 1990s = to limit the universality of these programs)</i>	<ul style="list-style-type: none"> <li>• progressive taxation (increased rate of taxes as one's income increases), to pay for social welfare programs: <ul style="list-style-type: none"> <li>– Old Age Security</li> <li>– Child Tax Credit (Family Allowance)</li> <li>– Employment Insurance</li> <li>– Social Security (welfare)</li> <li>– Health Care</li> </ul> </li> </ul>

Source: Adapted from "Backgrounders," *Issues for Canadians Teaching Resource*, Nelson Education, October 2007, [http://www.nelson.com/nelson/school/elementary/socialstudies/alberta/productinfo/gr6\\_9/docs/ABSS9-Backgrounders.pdf](http://www.nelson.com/nelson/school/elementary/socialstudies/alberta/productinfo/gr6_9/docs/ABSS9-Backgrounders.pdf).

▲ **Figure 12-23** This chart reflects some of the priority areas of government intervention in Canada's economy. In what ways do the above areas of government responsibility most strongly reflect aspects of a free-market system? A socialist system?

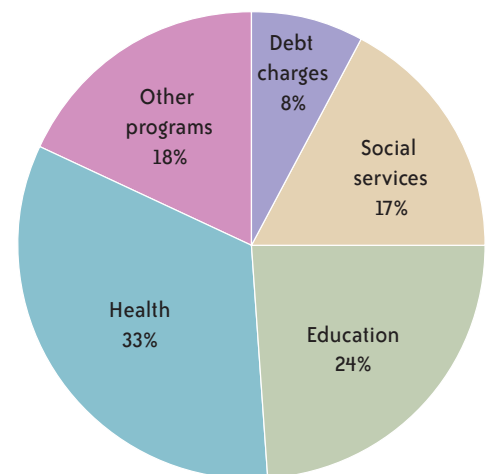
social programs to reflect the value that Canadians say they place on the availability of social programs for all citizens.

[A 1997] annual year-end poll conducted for Maclean's magazine and the CBC found that, of those interviewed

- 80 per cent feared that government pensions might disappear by 2005, while 61 per cent viewed this as unacceptable
- 64 per cent feared that meaningful employment insurance might disappear by 2005, while 77 per cent viewed this as unacceptable

On the other hand, the universal health care and relatively generous social safety net traditionally viewed as "sacred trusts" appear, according to the same poll, to be viewed with growing scepticism. While health care and other social services continue to be among the half dozen priority issues identified by Canadians, of those interviewed

**Figure 12-24** Consolidated provincial and territorial government expenditures, 2006 ▼



Source: "Consolidated provincial and territorial government expenditures, 2006." Statistics Canada, CANSIM table 385-0001, [http://www41.statcan.ca/2007/3055/graftx/htm/ceb3055\\_000\\_2-eng.htm#](http://www41.statcan.ca/2007/3055/graftx/htm/ceb3055_000_2-eng.htm#).

- 81 per cent anticipated a two-tiered health care system by 2005, while 47 per cent said such a system would be acceptable
- 79 per cent anticipated that private charities may take over social service roles, while 53 per cent found this acceptable

—Source: “Canada in the Year 2005.” *Maclean’s*, vol. 109, no. 53, December 30, 1996/January 6, 1997, pp. 23, 46.

## Summary

In every economy, the government must decide how to meet the needs of its citizens by addressing basic economic questions. Different economic systems have different priorities, and this is reflected in the extent to which they embrace liberal values.

**Command economies** focus on the goals of the state to meet collective needs and tend to reflect liberal values the least. One example of a command economy in action is the idea of egalitarianism and controlling how wealth is distributed in Cuba. **Free-market economies** see the individualist values of classical liberalism—private property, self-interest, competition, and economic freedom—as advantages and tend to value liberalism the most. One example of government intervention in a free-market economy to address economic inequality could be that of affirmative action in the United States. **Mixed economies** find a balance between command and free-market economies. Mixed economic systems often include the ideas of some government intervention in the economy to lessen the boom-bust nature of a free-market economy and to provide social programs. One example of government intervention in a mixed economy can be seen in government responses to the global economic crisis in 2008–2009. Other examples are both Sweden’s and Canada’s economic systems. Economic equality, if it is desirable, can be difficult to achieve no matter what economic system a government adopts.

## Knowledge and Understanding

- 1 Create a mind map for the three types of economies that highlights the important elements of each.
- 2 Provide your understanding and an example of economic equality for
  - egalitarianism
  - equality of opportunity
  - equitable distribution of income

- 3 Do you believe that liberal democracies should have aspects of economic equality in their societies? Which example from this section do you believe could be the most effective way that a democratic government could promote economic equality? Why?

## Social Safety Net

### Something to Think About:

#### Child Care in Canada

In some countries with mixed economies, governments promote economic equality by introducing a **social safety net**. Governments provide a wide “safety net” of social services such as unemployment insurance and old-age pensions so that all people have their basic needs met. Governments are able to provide these programs based on income generated through taxes. Those who have higher incomes pay higher taxes, and the money is redistributed to people with lower incomes in the form of social services. In Canada, some benefits are universal in that they are given to all Canadians, but the majority are provided to those most in need. The Child Tax Benefit and Employment Insurance are examples of this.

As more and more parents entered the work force in the late 20th century, the issue of child care took on increased importance in many liberal democratic countries. Parents and educators recognize the importance of early childhood development, and economists recognize the benefits of increased workforce productivity among parents whose children have good quality child care. Others are concerned with the employment and contributions to the regional economy by the child-care sector. The issue of providing for quality child care has been addressed by the Canadian government in various ways over time.

Examine the following political positions on this issue and determine the extent to which government should be involved in the provision of child care to Canadians.

Figure 12-25 ▼

<b>Conservative Party</b>	<p>As the government of Canada, the Conservatives have</p> <ul style="list-style-type: none"> <li>• provided the Universal Child Care benefit that amounts to \$1200 per year (before tax) in direct support for every child under 6</li> <li>• invested \$250 million per year to assist the provinces and territories in creating new child care spaces</li> <li>• pledged to create 125 000 new daycare spots within five years of 2008</li> </ul>
<b>New Democratic Party</b>	<p>If elected, the New Democratic Party would</p> <ul style="list-style-type: none"> <li>• establish and fund a Canada-wide child care and early learning program (Early learning and Child Care Act, which would be enshrined as law) with a pledge of \$1.45 billion</li> <li>• advocate for high quality, accessible, affordable, non-profit, and licensed child care to be made available to Canadian families, including Aboriginal peoples</li> <li>• create 150 000 new child care spaces in the first year, growing to 220 000 spaces per year in the fourth year</li> <li>• develop a Children’s Nutrition Initiative to support and expand provincial and local programs that provide healthy meals to school children</li> </ul>
<b>Liberal Party</b>	<p>If elected, the Liberal Party would</p> <ul style="list-style-type: none"> <li>• set a goal of spending \$1.2 billion annually to create new early education and child care spaces</li> <li>• establish new agreements with the provinces and territories to create child care spaces and increase accessibility across Canada</li> <li>• make the provinces accountable for how the money they receive for child care is spent and would require the provinces to report annually on wait times, number of available spaces, and costs</li> <li>• introduce a new refundable child tax credit worth \$350 to families for every child under 18</li> <li>• provide up to \$1225 per year to Canada’s poorest families through a new Guaranteed Family Supplement</li> </ul>

(continued)

## Bloc Québécois

The Bloc Québécois agrees with the provincial government of Québec by

- supporting a system of daycare services; the cost to parents is offset by state subsidies—some families pay only a part of the cost, and some none at all
- allowing all daycare centres recognized by the government to provide an educational program matched to the age (0–4) of the children
- supporting the Québec government’s recognition that there are three types of subsidized daycare services available to parents at a cost of \$7 per child per day: child-care centres, daycare centres, and home child-care providers

Sources: Richard Brennan and Joanna Smith,  
“Liberals, NDP vow billions for daycare.”

*Toronto Star*, September 17, 2008,

<http://www.thestar.com/FederalElection/article/500676>;

“Daycare,” Government of Québec,

[http://www.gouv.qc.ca/portail/quebec/international/usa/quebec/mode\\_de\\_vie/gardereries](http://www.gouv.qc.ca/portail/quebec/international/usa/quebec/mode_de_vie/gardereries).

## Questions for Reflection

- 1 How can a social safety net provide economic equality?
- 2 Which one of the positions in the sources is closest to your own position? Why?
- 3 Should Canada have publicly funded social welfare programs to the extent that Sweden does?
- 4 What role should the government play in providing child care or other publicly funded programs designed to provide greater economic equality? Use your evaluation of the sources provided and of your own point of view about the issue to develop and defend an informed response to this question. Remember to support your response with reasons and evidence. You may wish to refer back to the Reading Guide on page 313 to help you develop your response.

## FURTHER EXPLORATION

- 1 a) The term *economic equality* does not necessarily mean the same thing to you as it does to each of your classmates. As a group or class, build consensus on a mutually acceptable understanding of economic equality and the ways in which it should be practised in Canada (for example, specific policies or ways for governments to bring attention to economic equality for citizens and for the economy of the country).  
b) How can you influence politicians to support your class consensus regarding how Canada should address the issue of economic inequality in our society? In a written response where you develop, support, and argue your position, convince politicians that they should follow your proposal.
- 2 As a class, discuss the following questions:
  - Is promoting economic equality important in society?
  - Should economic equality be legislated or are there alternative methods of achieving economic equality?Consider the points of view and biases of others as well as your own as you develop and defend your response.
- 3 a) Imagine that you are a citizen of Cuba or Sweden. From this perspective, identify and evaluate the advantages and disadvantages of economic equality in this society and in Canada.  
b) Write a letter or blog, or create a political cartoon that explains to what extent you believe that Canada has a stronger approach to economic equality than Cuba or Sweden and to what extent economic equality should be promoted in Canada.
- 4 Ask yourself the following question: Do you agree that governments should be actively involved in promoting economic equality among their citizens?
  - a) Based on your answer to this question, create an interest group (such as those you read about in Chapter 11) that reflects your beliefs and values.
  - b) For your new interest group, develop the following:
    - a platform that details your motives for creating the interest group and a plan for what you would do to support your cause
    - a group name

- a logo or other visual image
- a brief description of where you think your interest group would be located on a political and economic grid (see Figure 12-6) and why.

**5** Imagine this: you wake up tomorrow morning and the Canadian government has decided to be more active in promoting economic equality. You will have to pay more taxes—in fact, 60 per cent of your income will go to the government now—but you will not have to worry about any education or medical fees, affordable housing will be provided, and you will receive a monthly allowance for food and necessities.

- Write a diary entry that summarizes your feelings about these changes and the reasons why you feel this way.
- Now, think of a point of view that would be quite different from your own. Write a second entry that would summarize this other point of view and the reasons why a person might feel that way.

**6** Jim Peron is the executive director of the Institute for Liberal Values. He wrote the following about liberalism: *“Liberalism, based on an ethics of achievement, advocates equal freedom, resulting in unequal results. Socialism, based on the ethics of envy, demands equal results, which requires limiting freedom. Thus with liberalism, we have freedom, prosperity and unequal distribution of wealth. With socialism, we have equality, poverty and no freedom. As much as we might want there to be a third alternative, it doesn’t exist.”*

—Source: Jim Peron, “What is Liberalism?”  
Institute for Liberal Values,  
[http://www.liberalvalues.org.nz/index.php?action=view\\_article&article\\_id=124](http://www.liberalvalues.org.nz/index.php?action=view_article&article_id=124).

- How would you summarize Peron’s ideas?
- Do you agree with Peron’s statements regarding liberalism and socialism? Can you detect any bias in his point of view? What evidence would you use to argue his position? What evidence would help you argue an alternative position?
- Rewrite the quotation based upon a different point of view than that of Jim Peron—a more collectivist point of view. Carefully consider your use of words to communicate your values and point of view about economic equality. Also consider who and what you intend to represent (for example, if you are a citizen, a government leader, or a representative of an organization) as you develop your statements.

**7** Liberalism tends to be supported by individuals who do not necessarily value economic equality as a top priority. Liberal values tend to place the importance on competition and economic freedom.

As you have examined throughout this chapter, however, the gap between high- and low-income earners continues to grow.

- Do supporters of liberal values need to think more about collective interest or values by addressing the question of economic inequality? Explain your answer.
- Would addressing economic inequality in society appeal to most people? Would it take away from the freedom of some others? Explain your answer.

## Chapter Summary and Reflection

Economic equality can be defined in many ways. It can range from **egalitarian** government policies to the wealthy voluntarily redistributing their money. There is a significant income gap between high- and low-income earners in most societies, and different societies address the problem in different ways. Some governments choose an economic system that values collectivism, such as a **command economy**. Others lean more toward individualism and establish a **free-market economy**. A compromise between the two is a **mixed economy**,

and this generally includes a **social safety net**. As you consider how income and wealth are distributed in Canadian society, consider what you think is ideal and what sacrifices you would be willing to make to achieve that ideal. Once you have determined your beliefs and values about this issue, you will be better able to address the Chapter Issue: *To what extent should governments encourage economic equality?* As well, you will be in a better position to answer the Related Issue for Part 3: *To what extent are the values of liberalism viable?*